

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6925**

**BILL NUMBER:** SB 276

**NOTE PREPARED:** Jan 7, 2008

**BILL AMENDED:**

**SUBJECT:** School Debt.

**FIRST AUTHOR:** Sen. Walker

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☐ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires the Department of Local Government Finance (DLGF) to: (1) collect, organize, and publicize certain data; and (2) develop affordability measures that must be considered by a school corporation before the school corporation issues bonds or enters into a lease rental agreement. It specifies the factors that must be considered by the Department of Local Government Finance in developing the affordability measures.

The bill provides that in the case of bonds or lease rental agreements for which a school corporation's preliminary determination to issue the bonds or enter into the lease rental agreement is made after December 31, 2008, the school corporation may not issue the bonds or enter into the lease rental agreement unless the governing body of the school corporation holds at least one public hearing in which the governing body of the school corporation: (1) discusses the bonds or lease agreement and the affordability of the bonds or lease agreement, as compared to the affordability measures; and (2) allows public testimony.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** The bill requires DLGF to annually calculate and list about 44 measures of school debt affordability. The measures include the corporation's cash ratio, current ratio, operating ratio, the total outstanding debt, if the general fund expenditures have exceeded revenue in the preceding 3 years, outstanding long-term debt divided by median household income, the percentage change in the school's population over the last 5 years, and the percentage of mortgage foreclosures during the preceding 3 years. DLGF would have an increase in expense in developing the required report and collecting the necessary data. Much of the data is available, but some of the data DLGF would have to collect from schools and counties.

DLGF is also to develop a school corporation affordability index, community affordability index, and an individual and family affordability index using the approximately 44 affordability measures DLGF is to collect.

The cost the first year to develop the reports and indices would be more than the costs after the first year. Assuming that at least one staff member at \$51,755 and one administrative assistant at \$27,377 would be needed to perform this function the first year to develop the reports and collection method, a portion of the first year cost would be \$118,312. After the first year the additional expense would probably be minor.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions. DLGF had 5 vacant positions worth \$163,384 as of January 2, 2008. Of the vacant positions, none had been vacant for more than two years. DLGF reverted about \$407,769 M to the state General Fund on June 30, 2007. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The provision requiring the school corporation to hold a public meeting to discuss the issuance of the bond and the affordability of the bond should have minor fiscal impact.

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** Local Schools.

**Information Sources:**

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.